

Memorandum

AEC Agenda Item IV.
February 18, 2011

To : AEC Members

Date : February 8, 2011

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Subject : Consideration of Recommending to the CBA Acceptance of a Specified Master's Degree to meet the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014

At its June 2010 meeting, the Accounting Education Committee (AEC) deliberated the merits of allowing a Master of Accounting or Taxation to satisfy the required 20 units of accounting study. One of the primary purposes for exploring this issue centered on applicants who graduate from a college or university with a baccalaureate degree in an area or concentration other than business, accounting, finance, economics, etc., but then decide to become a CPA after graduation and enroll in a master's program. Upon completion of the master's program many of these students have in excess of the 48 units presently required for CPA licensure, but may lack the additional 20 units of accounting study that will be required beginning January 1, 2014.

As expressed in the legislative intent in Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), one of the primary purposes for further defining the remaining 30 units is to fill the "hollow" units. AEC members have expressed confidence that students who complete a specified master's program have received a quality, well-thought out education that should be considered substantially equivalent to meeting the additional 20 units of accounting study. It was unanimously agreed upon by AEC members present at the June 2010 meeting that if legal authority exists to create a regulation to allow a specified master's degree to meet the 20 units of accounting study, such a recommendation would be presented to the CBA.

In preparation for the September 2010 AEC meeting, CBA staff explored the possibility that a specified master's degree might meet the 20 units of accounting study which will be established via regulation. At that meeting staff reported that it had requested a DCA legal counsel opinion whether the statute provides sufficient authority to implement this recommendation via regulation. Staff reported DCA legal counsel had opined that the recommendation would go beyond the scope of the statute.

After the September 2010 meeting, staff continued discussions regarding this topic with DCA Legal Office. Upon further review and consideration of the statute, the

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DCA Legal Office now indicates it believes sufficient authority exists to allow a specified master's degree to meet the 20 units of accounting study.

Even with this new DCA Legal Office opinion, staff believe it may be prudent for the AEC to consider recommending that the CBA sponsor legislation to allow a specified master's degree to meet the 20 units of accounting study. The primary benefit of placing such language in statute will ensure that when the Office of Administrative Law (OAL) reviews the regulations formalizing the 20 units of accounting study, it will be clear that authority exists to effectuate such a regulation.

Although it was originally envisioned that the AEC would provide all of its recommendations for the accounting study to the CBA at one time, if members wish to pursue legislation, staff advise that the AEC make a formal recommendation to the CBA that it consider sponsoring legislation in the upcoming 2011 legislative year. If the AEC formally acts to make such a recommendation, the AEC Chair would provide the recommendation to the CBA at the March 2011 meeting. This will ensure sufficient time to have the statutory authority in place by the time the CBA embarks on the rulemaking process.

As members consider a formal recommendation to pursue legislation, the following should be considered:

- This change will have no affect on applicants' requirement to meet the existing 24 units of accounting subjects and 24 units of business-related subjects.
- Allowing a master's degree to meet the 20 units of accounting study will not impact applicants' requirement to meet the minimum 10 units of ethics study also required by B&P Code Section 5094.
- Based on comments received at the September 2010 AEC meeting, it appears both the Center for Public Interest Law and California Society of Certified Public Accountants Accounting Education Committee support the concept of allowing for a specified master's degree to meet the 20 units of accounting study. (At that time this recommendation was being considered solely as a regulation.)
- A spot bill has been drafted that could be used as a vehicle for the possible legislation, and further, provided all stakeholders support the proposed language, a possibility exists whereby the language could be included in an omnibus bill.

If the AEC elects to make a formal recommendation to the CBA on pursuing legislation, staff suggest the AEC take on the task of providing draft language for CBA consideration. Staff have identified two options members may wish to consider for the statutory language. The first option would be to specifically identify what types of master's degree will be acceptable to meet the 20 units of accounting

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study. The second option would be to allow for some flexibility in the language by allowing for specified master's degrees as opposed to stating a Master of Accounting or Taxation. Under **Option 1**, any addition to the list of acceptable master's degrees would require a statutory change, while under **Option 2**, the CBA will have the ability to expand the list of acceptable master's degrees via regulation

Option 1

Completion of master's degrees as specified in regulations promulgated under subdivision (c) of Section 5094.6 will be deemed equivalent to the completion of the 20 units of accounting study required by Section 5094(b).

The amendment to Section 5093(a)(2)(A) made by the act of adding this subdivision shall not be deemed an amendment of that section for purposes of Section 5092(e).

Option 2

Completion of a Masters in Accounting or Masters in Taxation is deemed equivalent to the completion of the 20 units of accounting study required by Section 5094(b).

The amendment to Section 5093(a)(2)(A) made by the act of adding this subdivision shall not be deemed an amendment of that section for purposes of Section 5092(e).

Staff request that the AEC consider both options presented in this memo and take formal action as to whether a recommendation to pursue a legislative change will be made to the CBA. Staff also request that if a vote on this item is favorable that formal action be made as to which language members wish to pursue. Since the AEC has reached a general consensus on recommending that a Master's of Accounting or Taxation be deemed to have met the 20 units of accounting study, and the subcommittee is continuing to concur with this recommendation as part of its proposal (**see Agenda Item V**), staff will continue to include the recommendation as part of any draft regulatory language.